

Message Text

UNCLASSIFIED

PAGE 01 BERN 03690 01 OF 02 021431Z
ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 NSC-05
SS-15 STR-07 CEA-01 /119 W
-----047360 021520Z /50

R 021330Z AUG 78

FM AMEMBASSY BERN
TO SECSTATE WASHDC 3658
INFO AMEMBASSY BONN
AMEMBASSY BRUSSELS
USMISSION GENEVA
AMEMBASSY LONDON
AMEMBASSY PARIS
AMEMBASSY ROME
AMCONSUL ZURICH POUBH

UNCLAS SECTION 1 OF 2 BERN 3690

USMTN ALSO FOR MISSION
USOECD ALSO FOR EMBASSY
PASS TREAS FRB
EO 11652: NA
TAGS: EFIN, SZ
SUBJ: SWISS FINANCIAL REVIEW: WEEK JULY 24-28
1. SUMMARY: DOLLAR REACHED NEW LOW AT SF 1.75.
GOLD CLOSED UP \$10.25 AT \$201.50 ON SPECULATIVE
BUYING. SNB PRES LEUTWILER PREDICTED FURTHER
APPRECIATION OF SF, HINTED SWISS UNWILLING TO INTER-
VENE MUCH MORE TO BOLSTER DOLLAR. SNB PLACED
CONFEDERATION MONEY WITH COMMERCIAL BANKS TO IMPROVE
LIQUIDITY. END SUMMARY.
2. LEUTWILER: IN A SWISS TELEVISION INTERVIEW
THURS EVENING SNB PRES FRITZ LEUTWILER SAID THE SF
WILL CONTINUE ITS HIGH FLIGHT VIS-A-VIS THE DOLLAR
BECAUSE OF HIGH US INFLATION RATE. BUT STRENGTH OF
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 03690 01 OF 02 021431Z

SF AGAINST DM POSES AT LEAST AS MANY PROBLEMS.
EXPECTATIONS FROM BONN SUMMIT ARE TOO OPTIMISTIC.
POLITICAL PRESSURES IN GERMANY TO FORCE ECONOMIC
STIMULATION COULD LEAD TO ADDITIONAL INFLATION THROUGH
MONETARY BASE EXPANSION WHICH WOULD CAUSE ADDITIONAL
UPWARD PRESSURE ON SF. FOR SWITZERLAND, PRICE
STABILITY WILL BE GIVEN A HIGHER PRIORITY THAN

EXCHANGE RATE STABILITY. SWITZERLAND HAS NEARLY EXHAUSTED ITS DEFENSES AGAINST DEMAND FOR SF, WITHOUT HAVING ACHIEVED DESIRED RESULTS. SPECIFICALLY, INVESTMENT RESTRICTIONS ANNOUNCED IN FEB DO NOT CONFORM TO SWISS ECONOMIC SYSTEM AND SHOULD BE ABOLISHED AS SOON AS POSSIBLE. LEUTWILER SAID HIGH SF EXCHANGE RATE CANNOT BE BLAMED ENTIRELY ON 'BAD FOREIGNERS' BUT IS ALSO RESULT OF INTERNAL DEMAND GENERATED BY LARGE SWISS ENTERPRISES MAINTAINING UNNECESSARILY HIGH SF LIQUIDITY.

3. FOREX GOLD: MARKETS WERE VOLATILE THROUGHOUT THE WEEK. DOLLAR HIGH SF 1.7920 ACHIEVED AT CLOSE OF TRADING THURS. STRENGTH OF YEN, HIGHER US INFLATION RATE, US TRADE DEFICIT FORECAST BY OECD, AND SNB PRES LEUTWILER'S PREDICTION THURS EVENING THAT SF APPRECIATION WILL CONTINUE WERE FACTORS FORCING DOWN DOLLAR TO LOW SF 1.7490 FRI. DOLLAR WEAKNESS FUELED SPECULATIVE GOLD-BUYING SPREE IN THIN TRADING. GOLD CLOSED UP \$10.25 FROM PREVIOUS FRI CLOSE. RATES FOLLOW:

7/24 (OPEN) 7/28 (CLOSE)
SPOT DOLLAR 1.7730 1.7500
FORWARD DISCOUNTS
(PCT PER ANNUM)
1 MONTH 6.77 7.88
2 MONTHS 6.44 7.02
UNCLASSIFIED

UNCLASSIFIED

PAGE 03 BERN 03690 01 OF 02 021431Z

3 MONTHS 6.55 6.85
6 MONTHS 6.77 7.08
12 MONTHS 6.44 6.60
SF/DM 86.97 85.77
GOLD 195.00 201.50

4. CAPITAL MONEY MARKETS:

A) STOCK MARKET ACTIVITY CONTINUED LIGHT. TRADING IN SAURER (TEXTILE MACHINERY, TRUCKS, BUSES) ACTIVE AS RUMORS PERSIST OERLIKON-BUEHRLE OR FIAT HOLDING PLAN A TAKEOVER. SKA INDEX CLOSED UP 0.2 PCT AT 253.3. AVERAGE YIELD CONFEDERATION BONDS SLIPPED BACK TO 3.37. THREE-MONTH EUROFRANC RATE DECLINED THREE-EIGHTHS PCT TO ONE AND THREE-QUARTERS PCT.
B) TUES THE 4 MAJOR BANKS REDUCED RATE PAID ON TIME DEPOSITS BY ONE-QUARTER PCT ACROSS THE BOARD WITH IMMEDIATE EFFECT. NEW RATES ARE 1.25 PCT FOR

UNCLASSIFIED

NNN

UNCLASSIFIED

PAGE 01 BERN 03690 02 OF 02 021413Z

ACTION EUR-12

INFO OCT-01 IO-14 ISO-00 AID-05 CIAE-00 COME-00 EB-08
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 PA-02 NSC-05
SS-15 STR-07 CEA-01 /119 W
-----047045 021520Z /50

R 021330Z AUG 78

FM AMEMBASSY BERN

TO SECSTATE WASHDC 3659

INFO AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSION GENEVA

AMEMBASSY LONDON

AMEMBASSY PARIS

AMEMBASSY ROME

AMCONSUL ZURICH POUCH

UNCLAS SECTION 2 OF 2 BERN 3690

USMTN ALSO FOR MISSION

USOECD ALSO FOR EMBASSY

PASS TREAS FRB

3-11 MONTH DEPOSITS AND 1.50 PCT FOR 12 MONTH DEPOSITS.
RATES HAD BEEN RAISED ONE-HALF PCT PREVIOUS WEEK AS
MONEY MARKET TIGHTENED. SNB TOOK STEPS TO IMPROVE
LIQUIDITY BY AGREEING TO PLACE ON JULY 28 SF 450
MILLION OF CONFEDERATION FUNDS WITH COMMERCIAL BANKS
FOR 6 MONTHS AT 1.50 PCT RATE. PLACING WITH
COMMERCIAL BANKS OF MONEY FROM CONFEDERATION ACCT
IS NEW STEP FOR SNB. (FED ACCT AT SNB REPRESENTING
ACCUMULATED SURPLUS TOTALLED SF 3.18 BILLION AS OF
JULY 21.)
C) SWISS BANK CORP WEEKLY REPORT SAYS DESPITE LOW
INFLATION RATE, SOCIAL STABILITY, AND RELATIVELY
LOW PRICE LEVELS, SWISS STOCK MARKET LIKELY TO BE
INHIBITED BY NEGATIVE FACTORS IN NEAR FUTURE. THESE
UNCLASSIFIED

UNCLASSIFIED

PAGE 02 BERN 03690 02 OF 02 021413Z

INCLUDE CURRENCY QUESTION, HIGH RATE EXPANSION OF
MONEY SUPPLY, AND UNINSPIRING GROWTH OUTLOOK. BANK
CONTINUES TO RECOMMEND SELECTIVE PURCHASES OF US
STOCKS FOR LONG-TERM INVESTORS.

D) FIRST BOSTON INC WILL TAKE A 31 PCT SHARE OF

CIE FINANCIERE DE CREDIT SUISSE ET WHITE WELD, THE PARENT OF THE LONDON INVESTMENT BANK CREDIT SUISSE WHITE WELD. CSWW WILL ITSELF TAKE A 25 PCT STAKE IN FIRST BOSTON. EACH STAKE IS BEING ACQUIRED AT BOOK VALUE AND WILL COST ABOUT \$30 MILLION. AGREEMENT INCLUDES PROVISION FOR EACH TO ACQUIRE MORE SHARES IN THE OTHER, PROVIDED THEY DO NOT BECOME UNEQUAL. CSWW NAME WILL BE CHANGED TO CREDIT SUISSE FIRST BOSTON. CROWLEY

UNCLASSIFIED

NNN

Message Attributes

Automatic Decaptoning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC REPORTS, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 02 aug 1978
Decapton Date: 01 jan 1960
Decapton Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978BERN03690
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780316-0346
Format: TEL
From: BERN
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t197808104/aaaadjjr.tel
Line Count: 179
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: f8240358-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1553086
Secure: OPEN
Status: NATIVE
Subject: SWISS FINANCIAL REVIEW: WEEK JULY 24-28
TAGS: EFIN, SZ
To: STATE USMTN
Type: TE
vdkgvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/f8240358-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014